

PURCHASE OPTION AGREEMENT

[HPSD to Re:Vamp]

This Purchase Option Agreement (the "Option") is made as of the latest date below executed (the "Effective Date") by and between The Historic Preservation Society of Durham, Inc., a North Carolina nonprofit corporation ("HPSD") and Re:Vamp Durham, LLC, a North Carolina limited liability company.

Recitals:

The City of Durham ("City") is the owner of the parcel of real property, together with all appurtenances thereto and improvements thereon, lying in Durham County, North Carolina known as 102 Morris Street, Durham, North Carolina and having Durham County Parcel ID 103053 (the "Property"). The Property contains two buildings within the same tax parcel, a two story building on the northeast corner of the intersection of Morris Street and East Chapel Hill Street, and a one story building to the immediate east of the two story building and on the north side of East Chapel Hill Street.

HPSD and Re:Vamp agree that the Property has historic value because of its age, architecture and location in downtown Durham. City desires to dispose of the Property and issued a request for proposals (the "RFP") for redevelopment of the Property. Re:Vamp Durham, LLC ("Re:Vamp") responded to the RFP and City accepted Re:Vamp's proposal, in part because Re:Vamp seeks to preserve certain important historic aspects of the Property.

In order to assure the historic preservation of the Property in accordance with certain standards, City is willing to sell an option to HPSD, and HPSD is willing to purchase an option from the City with the intention of entering a purchase option agreement with Re:Vamp (the "City Option"). By entering into this Option, HPSD and Re:Vamp intend that if Re:Vamp exercises this option with HPSD, HPSD will exercise the City Option, and the closings will be simultaneous.

HPSD and Re:Vamp intend that City's disposition of the Property be in accordance with N.C.G.S. § 160A-266 which permits disposition of real property pursuant to private negotiation with and sale to a nonprofit corporation where certain conditions are met.

Agreement:

Now, therefore, for and in consideration of the covenants set forth herein, the parties agree as follows:

1. **Option.** For and in consideration of the sum of \$250.00 (the "Option Money", such term to mean and include any additional monies delivered to HPSD to extend the term of the Option), the receipt and sufficiency of which is hereby acknowledged, HPSD hereby grants unto Re:Vamp, its successors and permitted assigns, the exclusive right and option to purchase the Property on the terms and conditions hereinafter stated.

2. Duration of Option; Extensions. The initial option period shall commence on the Effective Date and shall continue through and until September 30, 2011. If Re:Vamp requires an extension, but only for excusable delay such as matters outside its control, Re:Vamp may elect, with the consent of the HPSD, not to be unreasonably withheld, to extend the term of this Option for one or more, but no more than four, additional, consecutive three calendar month periods by delivering to HPSD with respect to each extension period prior to the expiration of the initial option period as may have been extended (a) written notice and (b) an additional \$100.00 of Option Money. The Option Money shall not be credited against the purchase price in favor of Re:Vamp and shall be considered earned by HPSD except in the event of HPSD's breach of this Option.

3. Purchase Price. If the Option is exercised by Re:Vamp, the purchase price for the Property shall be \$231,596.00 and shall be payable in cash at Closing to HPSD.

4. Due Diligence. HPSD shall deliver to RE:Vamp or otherwise make available to RE:Vamp documents in its possession or otherwise reasonably available relating to the Property including but not limited to plats, plans, environmental reports, surveys and other reports, title policies and documents, and appraisals, the understanding being that City may be providing these documents to HPSD under the City Option.

5. Retention of Option Money. In the event that this Option is not exercised during the option period or any extension thereof, the Option Money shall, except as hereinafter provided, be retained by HPSD, and Re:Vamp's rights hereunder shall cease and terminate. In the event that Re:Vamp exercises the Option but does not close for any reason, the Option Money shall be retained by HPSD as liquidated damages and HPSD shall have no other remedies at law or equity.

6. Exercise of Purchase Option; Closing. This Option may be exercised by Re:Vamp by giving written notice to HPSD at any time within the option period or any extension thereof. Notice of exercise of the Option shall create a binding contract for purchase and sale of the Property as set forth herein, and closing (the "Closing") shall be on a date (the "Closing Date") mutually agreed upon by the parties hereto, but no earlier than 60 days from the date of notice, and which date shall in no event be later than three calendar months after the expiration of the initial option period or any extension thereof, as applicable. Upon Re:Vamp's exercise of the Option or extension of the option period, HPSD shall exercise its option under the City Option or extend the option period under the City Option as the case may be. HPSD and Re:Vamp agree to work cooperatively to ensure that the option period under the City Option is substantially identical to the option period under this Option.

7. Risk of Loss. All risk of loss as a result of any exercise of the power of eminent domain or by reason of fire or other casualty shall remain on HPSD until the transfer of legal title by recording of the deed.

8. Closing and Deed; Protective Covenants; Costs. In the event the Option herein granted is exercised, Closing of the purchase and sale shall be at the office of Re:Vamp's counsel or such other mutually agreeable location. At the closing, Re:Vamp shall pay to HPSD the

purchase price as set forth in above paragraph 3, and simultaneously HPSD shall deliver to Re:Vamp or its representative a North Carolina special warranty deed conveying the Property subject to all matters of record including the Protective Covenants (defined below); provided, however, without the prior written consent of Re:Vamp, HPSD shall not during the term of this Option impose any liens, covenants, conditions or restrictions of record or otherwise which would encumber or in any manner limit or restrict the title or use of the Property or initiate a rezoning of the Property. At Closing, HPSD shall also deliver to Re:Vamp evidence of authority to enter into and consummate the transaction contemplated in this Option, and a lien and “no leases” affidavit reasonably acceptable to Re:Vamp’s title insurer. Exclusive possession of the Property shall be delivered at Closing.

The deed shall be subject to a preservation agreement as specified in N.C.G.S. § 160A-266 and as defined in N.C.G.S. § 121-35, in the form of protective covenants for the purpose of protecting the historic characteristics that make the Property significant (the “Protective Covenants”), and which are attached in the deed from City to HPSD.

Each party shall pay its own attorney fees. Re:Vamp shall pay for all recording fees, title examination charges, title insurance, and other due diligence costs it incurs. All other charges, prorations and adjustments not specifically provided for herein shall be allocated in accordance with local custom and usage.

9. Conditions to HPSD’s Obligation to Close. It shall be a condition precedent to HPSD’s obligation to close that Re:Vamp has:

- (a) entered into a rehabilitation agreement for the Property with HPSD;
- (b) agreed on the form and substance of the Protective Covenants to be attached to the deed from City to HPSD;
- (c) provided to HPSD and City for Re:Vamp’s proposed rehabilitation of the shell and for the upfit of the Property: (x) schematic drawings by May 31, 2011, and (y) design development drawings by July 31, 2011; provided, however, Re:Vamp’s failure to deliver one or both of items (x) and (y) shall not be a failure of the condition precedent if Re:Vamp worked or is working in good faith toward producing items (x) and (y);
- (d) *intentionally deleted*;
- (e) obtained a building permit and all other necessary approvals for beginning construction, including a Certificate of Appropriateness from the Durham Historic Preservation Commission; and
- (f) obtained acquisition and construction financing sufficient for carrying out the rehabilitation of the Property indicated by the construction drawings, executed such loan documentation and is in a position to close pending only City’s closing with HPSD, and has provided proof of the equity necessary to close pursuant to its lender’s requirements. A letter from Re:Vamp’s counsel confirming that Re:Vamp has executed loan documents and that the

requisite equity is in such counsel's trust account shall be sufficient proof of the existence of the signed loan documents and equity;

If any or all the conditions precedent (a) – (f) set forth above are not fulfilled or are not waived in writing by HPSD prior to the Closing Date, then HPSD may terminate this Option upon written notice to the other party, and the parties shall have no further liability hereunder.

10. Conditions to Re:Vamp's Obligation to Close. Irrespective of whether Re:Vamp exercised this Option, it shall be a condition precedent to Re:Vamp's obligation to close that City closes simultaneously with HPSD under the City Option. If City does not close with HPSD under the City Option by the Closing Date, then Re:Vamp shall be under no obligation to close with HPSD, and HPSD or Re:Vamp may terminate this Option upon written notice to the other party, and the parties shall have no further liability hereunder.

11. Agents and Brokers. HPSD and Re:Vamp each represents to the other that neither has dealt with any real estate agent or broker in connection with this Option and that no fee or commission is due any party upon or as a result of Closing.

12. Notices. All notices required to be given under this Option shall be in writing and shall be delivered in person, by recognized overnight carrier, or certified mail. Notices shall be effective as of the time of delivery for hand delivered notices, one day after deposit with the overnight carrier, or three days after the postmark for certified mail. All notices postmarked within the option period or any extensions thereof shall be deemed to have been timely given. All notices shall be addressed or delivered to the following addresses:

to HPSD: Historic Preservation Society of Durham, Inc.
(overnight) 3001 Academy Drive, # 130
Durham, NC 27707
Attn: Paul N Yale, Jr.

to HPSD: Historic Preservation Society of Durham, Inc.
(mail) PO Box 25411
Durham, NC 27702-5411
Attn: Paul N Yale, Jr.

to Re:Vamp: Re:Vamp Durham, LLC
339 W. Main St., Ste A.
Durham, NC 27701
Attn: Scott Harmon

The foregoing notice addresses may be changed only by providing written notice of such change to the other party according to the provisions of this paragraph no less than one week prior to such changed address taking effect.

13. Assignment. Re:Vamp shall not assign this Option without the prior written consent of HPSD except that Re:Vamp shall be permitted to assign this Option to any entity

controlled by Re:Vamp or J. Scott Harmon without the consent of HPSD. This Option shall bind and inure to the benefit of the parties hereto and their successors and assigns.

14. Memorandum of Option. Either party upon request of the other will execute and deliver to the requesting party a memorandum of option. The requesting party shall be entitled to record the option at its cost.

15. Miscellaneous. Any time period provided for herein which shall end on a Saturday, Sunday or legal holiday shall extend to 5:00 p.m. of the next full business day. Where appropriate, any word denoting the singular shall be deemed to denote the plural, and vice versa. Where appropriate, any word denoting or referring to one gender shall be deemed to include the neuter or other gender as appropriate. This Option has been made and entered into under the laws of the State of North Carolina, and said laws shall govern the interpretation hereof. Paragraph headings or captions appearing in this Option are for convenience only, are not a part of this Option, and are not to be considered in interpreting this Option. This Option constitutes the entire and complete agreement between the parties hereto and supersedes any prior or oral written agreements between the parties with respect to the purchase and sale contemplated by this Option. It is expressly agreed that there are no verbal understandings or agreements which in any way change the terms, covenants and conditions herein set forth, and that no modification of this Option and no waiver of any of its terms or conditions shall be effective unless made in writing and duly executed by the parties hereto. All parties to this Option actively participated in negotiating the terms and conditions hereof and no provision shall be construed either in favor of or against any party by virtue of such party being the drafter of this Option.

16. Environmental Report. HPSD shall provide copies of all studies, reports, and results of the Phase I and Phase II environmental studies performed by City ("Environmental Findings") without charge to Re:Vamp. Re:Vamp may terminate this Option should the Environmental Findings identify any regulated contamination, hazardous substance or material ("Environmental Contamination") in quantities or concentration levels above permissible regulatory standards that would require removal or remediation.

17. Subdivision. HPSD acknowledges that Re:Vamp intends to subdivide the Property into two parcels, each containing a building, and further that Re:Vamp or a successor may subject one or both new parcels to a declaration of condominium creating condominium units within one or both new parcels, and that the Protective Covenants will permit this subdivision.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Option to be executed effective as of the Effective Date.

HPSD:

The Historic Preservation Society of Durham, Inc.

By: _____
Name: _____
Title: _____

Date: _____

Re:Vamp:

Re:Vamp Durham, LLC

By: _____
Name: _____
Title: _____

Date: _____